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Dear Client,

Together, we are facing a truly unprecedented situation. The global coronavirus is affecting all of our families, our businesses, our communities and our way of life. During this time, we wanted to reach out to you and make you aware of the government assistance that is currently available to you as business owners.

COVID-19 Relief SBA Loans

There are two types of COVID-19 related SBA Loans outlined in greater detail below:

1. Economic Injury Disaster Loans (EIDL) – includes \$10,000 emergency grant advance
2. Paycheck Protection Program Loans (PPP)

Economic Injury Disaster Loans (EIDL)

Economic Injury Disaster Loans (EIDL) offer up to \$2 million in assistance and can provide vital economic support to small businesses to help overcome the **temporary loss of revenue as a result of a disaster**. Under the recently enacted Coronavirus Preparedness and Response Supplemental Appropriations Act (the Act), small businesses and non-profits **that have suffered substantial economic injury as a result of COVID-19** can apply for low-interest federal disaster loans up to \$2 million through SBA for working capital. **These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact.**

EIDL \$10,000 EMERGENCY GRANT ADVANCE

The Coronavirus Aid Relief, and Economic Security (CARES) Act temporarily expands the eligibility for EIDL loans and provides an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within 3 days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you must apply for EIDL and then at the bottom of the application is a box to check to apply for the \$10,000 advance grant. This advance does not need to be repaid under any circumstance.

USE OF FUNDS

The grant and the EIDL loan proceeds can be used to keep employees on the payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions or pay business obligations, accounts payable, including debts, rent and mortgage payments.

LOAN TERMS

Loans can be offered with long term repayment terms of up to 30 years. Terms will be determined by the SBA. The interest rate will be 3.75% for small businesses and 2.75% for nonprofits.

HOW TO APPLY

Businesses apply for the loan online thru the SBA website at <https://covid19relief.sba.gov/#>

ELIGIBLE BUSINESSES

- Business entities with 500 or fewer employees
- Sole Proprietorships, with or without payroll
- Independent Contractors
- Private non profits of any size

The business must have been in operations as of January 31, 2020 to qualify.

Expanded eligibility and the emergency grants are only available between January 1, 2020 and December 31, 2020

Paycheck Protection Program Loans (PPP)

The “Paycheck Protection Program,” was passed to give small business employers incentive to retain their employees and also funds to pay for rent, utilities and loan interest. These loans are available through your bank and some credit unions.

AMOUNT OF LOAN

The amount of the loan is basically 2.5 times your average monthly payroll costs. Payroll costs include salary, health insurance premiums and retirement plan contributions paid by the employer. The total payroll cost for any employee can't exceed \$100,000. For 2019, develop this amount for each employee and then divide by 12 months for the average monthly cost. The average monthly payroll cost times 2.5 equals the amount of the loan.

USE OF FUNDS

The funds are to be used for:

Payroll Costs:

- Salaries, wages, commissions and tips
- Employee benefits including costs for vacation, medical or sick leave
- Group health care benefits, including insurance premiums
- Retirement benefits paid for employees

Total payroll costs noted above are capped at \$100,000 for each employee.

Other Costs:

- Interest incurred on debt in the ordinary course of business
- Rent paid based on a leasing arrangement including self rentals to the business owner, if a lease was in place
- Payments for utilities, telephone and internet

FOR SOLE PROPRIETORS OR INDEPENDENT CONTRACTORS

- Eligible for wages, commissions, income or net earnings from self employment, capped at \$100,000

LOAN TERMS

Repaid over 2 year term
Interest rate is 1%
No collateral
No personal guarantees
Loan repayments are deferred for six months up to a year
No prepayment penalties or fees

WHEN TO APPLY

- Starting April 3, 2020, small businesses and sole proprietors can apply
- Starting April 10, 2020, independent contractors and self employed individuals can apply

ELIGIBLE BUSINESS

All businesses, including sole proprietors, self employed individual and independent contractors, with 500 or fewer employees

BUSINESS OWNER(S) CERTIFICATION

Owners have to certify that the uncertainty of current economic conditions make necessary the loan request to support on going operations and also acknowledge that the funds will be used to retain workers and maintain payroll.

LOAN FORGIVENESS AVAILABLE

To qualify for loan forgiveness, 75% of the borrowed amount must be for payroll related costs.

Starting with the time the loan is received, for the next 8 weeks, an amount of the loan can be forgiven for the monies used for payroll costs, rent, utilities and interest. You must keep documentation supporting these expenses. Supporting documentation is required for the loan forgiveness. Any balance left will be repaid, per the loan terms.

REDUCTION OF LOAN FORGIVENESS

Your loan forgiveness amount will be reduced for 2 factors:

1. If you decrease the number of full time employees.
The amount of loan forgiveness shall be reduced by the percentage of average number of full time equivalent employees per month employed from February 15, 2020 to June 30, 2020, compared to the number of full time equivalent employees per month employed from February 15, 2019 to June 30, 2019 or the number of employees per month from January 1, 2020 to February 29, 2020. The business decides which comparison period to use.
2. If you decrease salaries and wages for ANY employee by more than 25% during the period of February 15, 2020 to June 30, 2020

You have until June 30, 2020 to restore your full time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

OTHER CARES ACT INCENTIVES

1. EMPLOYEE RETENTION PAYROLL TAX CREDIT

- The Employee Retention Payroll Tax Credit cannot be used in conjunction with the Payroll Protection Program or any other loan where payroll costs are forgiven.
- Employee retention credit is equal to 50% of qualified wages with a cap of \$10,000 wages. Maximum credit per employee is \$5000.
- The employer's gross receipts must be 50% or less than the same calendar quarter in 2019 to qualify.
- For employers with 100 or less employees, qualified wages are defined as wages paid for all employees during the period—whether they were able to work or not. For employers with 100 or more employees, qualified wages are defined as wages paid to employees not providing services.
- The credit is taken by reducing the amount of the payroll taxes paid to the IRS on a monthly basis.

2. DEFERAL OF EMPLOYER SOCIAL SECURITY TAXES

The deferral of employer social security taxes cannot be used in conjunction with the Payroll Protection Program. This allows an employer to defer their portion of Social Security taxes from March 27, 2020 to January 1, 2021. 50% is due by December 31, 2021 and the remainder by December 31, 2022.

3. UNEMPLOYMENT BENEFITS

- NYS has waived the one week waiting period to collect unemployment benefits
- Under the Federal CARES Act, everyone will get an additional \$600 per week until July 31, 2020
- Unemployment will be paid an additional 13 weeks per the federal government
- Self employed individuals and independent contractors are now eligible for unemployment benefits

The coronavirus situation is changing rapidly and new guidance is being issued on a daily basis. We will continue to monitor the developments and keep clients as up to date as we can.

We are here to assist you in any way, for any services your business needs during these trying times. We are here to support you.

Sincerely,



Daley, LaCombe & Charette